



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 2/2/2004

GAIN Report Number: HK4003

Hong Kong

Market Development Reports

Hong Kong Temporarily Bans Poultry Imports From China

2004

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Report Highlights:

Hong Kong so far has been spared from the recent swirl of avian influenza outbreaks in Asia. Following the confirmation of bird flu cases in Guangdong province of China, Hong Kong banned live chicken and chilled and frozen poultry imports from China effective January 31. The Chinese government also agreed not to export any eggs from infected areas to Hong Kong. Consumers' confidence in chicken safety in general has declined. The live chicken market has been impacted the most. Since China is the largest egg supplier to Hong Kong, and as 90 percent of China's egg exports to Hong Kong come from Guangdong province, Hong Kong will shortly experience inadequate egg supplies. Traders will source products from other supplying countries including the United States. Wholesale prices for eggs have already surged about 20 percent.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Hong Kong [HK1]
[HK]

Summary

Hong Kong so far has been spared from the recent eruption of avian influenza outbreaks. Subsequent to the announcement made by the Mainland Chinese government that further suspected avian influenza outbreaks had been found in Guangdong Province (a province adjacent to Hong Kong and from which the majority of Hong Kong supplies of live chickens come), the Hong Kong government temporarily suspended import of live birds and poultry meat from China effective January 31, 2004. The Chinese government also agreed to stop exporting eggs from infected areas to Hong Kong. Retail sales of live chickens continue as stocks last. Due to short supplies of live chickens remaining in the market, prices have surged on one hand while consumers' confidence in chickens including live and chilled/frozen poultry products has generally declined. Wholesale prices for eggs also have risen due to expected short supplies. Meanwhile, the Hong Kong government has stepped up surveillance measures and monitoring of the local chicken industry. Human surveillance of influenza is also closely monitored.

Background

Hong Kong so far has not detected any abnormal deaths in birds caused by H5N1, except for one wild falcon found dead and tested positive for H5N1.

In the wake of the recent avian influenza outbreak in Asia, Hong Kong currently has banned poultry imports from South Korea, Vietnam, Japan, Taiwan, Thailand, Indonesia and Laos. China is the latest addition to the list and this addition renders the severest hit on Hong Kong's chicken market.

In 2003, China supplied about 75 percent of the 40 million of live chickens sold in Hong Kong. Almost all of the supplies originated from Guangdong province, which is adjacent to Hong Kong. Also China is the third largest supplier of poultry products to Hong Kong totaling 64,014 MT valued at US\$79 million in the first eleven months of 2003. Of the 64,014 MT of poultry products, 34,125 MT were chicken products, while the rest were pigeons, ducks and geese. As such, the temporary ban has had a significant impact on Hong Kong's poultry supplies, particularly on the supply of live chickens.

Meanwhile, local farms are not allowed to supply to retail markets until February 6. This measure is to halt oversupply in retail markets as overcrowding for chickens there would facilitate disease spreading. In the week of January 26, Hong Kong consumers' confidence in the consumption of chickens began to shatter following the increasing wide spread of bird flu in a number of Asian countries including three provinces of China far away from Hong Kong. Chicken stocks accumulated in the wholesale and retail markets. In this connection, the Hong Kong government announced on January 30 that they would stop issuing approval for local farms to release their chickens to the markets so as to alleviate the oversupply of chickens in the markets.

As at January 31, about 100,000 chickens remained in the market. The stock will run out in a few days. Therefore, the Hong Kong government will allow local farms to resume chicken supplies to the market at a rate of 30,000 to 40,000 head daily starting February 6. The Agriculture, Fisheries and Conservation Department will also conduct quick tests on chickens from local farms to make sure that there is no presence of the H5 virus before the chickens are marketed.

Hong Kong currently has a chicken population of 3 million head. The stock will last for about 100 days. Local chicken supplies can hardly be repopulated at the current rate because

Hong Kong farmers have very little breeding chickens. Usually they buy chicks from China and raise them in local farms until they are big enough for the market. If Hong Kong farms are no longer able to obtain chick supplies from China, local production of chickens will also be affected.

While Hong Kong has banned all live chickens and chilled/frozen poultry imports from China, the ban on cooked poultry products and eggs is only limited to avian-influenza infected provinces. The Hong Kong government has successfully obtained an agreement with the Chinese government that China will not export any cooked poultry products and eggs from any infected areas to Hong Kong. However, cooked poultry products originated from non-infected provinces are subject to hold and test policy upon importation to Hong Kong. In other words, products can be released to the market only after test results are confirmed negative.

In addition, the Hong Kong government has suspended the processing of applications for the importation of pet birds pending the development of avian influenza in the region.

Reaction

Although Hong Kong's neighboring countries have been caught in the swirl of bird flu since January, Hong Kong consumers' confidence in chickens was not affected then. The Chinese New Year, which fell on February 22, was the peak season of chicken consumption in Hong Kong. The daily transaction went up over 200,000 head around the period. However, consumers' sentiments rapidly changed soon after bird flu cases had been detected in China's three provinces: Guangxi, Hunan and Hubei. Retail sales of live chickens declined over 30 percent. With the ban on chickens from China, retail sales were further reduced as a result of short supplies coupled with shattered confidence.

Retail sales of frozen chicken products from other supplying countries have not yet shown any noticeable signs of being impacted, however, prices have surged around 30 percent. Whether consumers will accept such sudden surge of prices of frozen products from other countries including the United States is not known yet. Equally not discernible at this moment is the impact of bird flu on consumption of frozen chickens.

Although impact on frozen chickens is not yet discernible, it is gauged that consumers will buy less chicken products in the short run. If the ban continues and consumers get used to the news of bird flu in Asia, it is possible that Hong Kong consumers will opt for chilled/frozen products from other supplying countries including the United States.

For eggs, market sources revealed that some wholesalers started to look for eggs from other supplying countries due to short supplies of eggs in the market following the ban on eggs originated from bird-flu infected zones in China. It is very possible that traders will look for supplies from the United States to fill the void used to be taken up by China. About 90 percent of the egg supplies from China come from Guangdong province, which happened to be a bird-flu infected area. The market responded quickly. Wholesales prices of China eggs of extra large grade have already jumped from US\$15.50/360 pieces to US\$18/360 pieces. Prices are expected to increase further the longer the ban will last.

Since the first outbreak of bird flu in Hong Kong in late 1997, the Hong Kong government has been exploring the possibility to implement central slaughtering of live chickens. The suggestion has raised many diverse views from the public. The major contention against the suggestion is the livelihood of the people in the industry and Hong Kong consumers' traditional preference for live chickens. The January avian flu outbreak in the region offers new ammunition to the Hong Kong government to defend the central slaughtering policy of

chickens. It is expected that the opposition voices will be less if a public consultation is to be launched.

Preventive Measures

In the wake of the January bird flu in Asian, the Hong Kong government has initiated new measures to prevent avian flu. Walk-in aviaries in recreational parks are closed. All poultry retailers have to wear aprons and boots while at work, and they must wear rubber gloves when handling live poultry. Free vaccination is made available to poultry workers for personal protection.

Hong Kong had the first bird flu outbreak in late 1997 resulting in six human death casualties and slaughtering of over one million of chickens. The government has then implemented a series of preventive measures in a number of areas in the past few years. The major measures currently in place include the following.

Vaccination: vaccination of all chickens in local farms against H5 avian influenza since June 2003 and all imported chickens vaccinated by mid-January 2004

Local Farm Regulation: tightened biosecurity measures and testing of antibody level of vaccinated chickens

Segregation Policy: the raising of different poultry categories segregated to prevent cross contamination

Market Rest Days: four rest days for the wholesale market and two rest days for retail markets to break the virus circle if any exists in the markets.

Also, measures to step up human surveillance of influenza and avian influenza surveillance have been implemented.

The following tables are supplemental to GAIN HK4001 of January 30, 2004.

Statistics

Table 1: Production Live Chicken

	2001	2002	2003	03/02 % change
Local Supply	8,322,000	8,604,000	10,107,000	17%
Import	41,032,126	32,884,727	30,373,450	-8%
Total	49,354,126	41,488,727	40,480,450	-2%

Table 2: Hong Kong's Import of Poultry Meat Products in Volume, January – November,

	MT, 2001	MT, 2002	MT, 2003	% share		
				2001	2002	2003
--The World--	899,989	781,773	720,673	100%	100%	100%
United States	568,111	444,150	343,503	63%	57%	48%
Brazil	121,035	142,168	174,038	13%	18%	24%
China	55,496	57,747	64,014	6%	7%	9%
Thailand	21,060	16,452	29,701	2%	2%	4%
France	11,268	9,998	16,339	1%	1%	2%

Table 3: Hong Kong's Import of Poultry Meat Products in Value, January - November

	Millions of US Dollars			% Share		
Country	2001	2002	2003	2001	2002	2003
--The World--	700	599	565	100	100	100
United States	387	307	240	55	51	42
Brazil	97	105	130	14	17	23
China	76	70	79	11	12	14
Thailand	25	20	27	4	3	5
France	16	12	17	2	2	3

Table 4: Hong Kong's Import of Eggs in Volume January – November

	Market Share			2001	2002	2003
Country	- TH - 2001	- TH - 2002	- TH - 2003			
--The World--	1,336,162	1,342,223	1,414,185	100%	100%	100%
China	705,040	789,500	1,016,574	53%	59%	72%
United States	387,113	338,250	251,599	29%	25%	18%
Thailand	43,166	29,245	94,570	3%	2%	7%
Germany	165,105	156,630	27,601	12%	12%	2%

Table 5: Hong Kong's Import of Eggs in Value, January – November

	Millions of US Dollars			% Share		
Country	2001	2002	2003	2001	2002	2003
--The World--	54	53	53	100	100	100
China	26	29	34	48	55	65
United States	17	13	11	31	25	21
Thailand	2	1	5	3	2	9
Germany	8	8	2	15	15	3